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Bluewater Oil & Gas Limited

Annual Report
April 30, 1969



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BLUEWATER OIL & GAS LIMITED

HEAD OFFICE

478 Waterloo Street, London, Ontario

(An Ontario Corporation)

DIRECTORS

James A. Giffen London, Ontario
W. P. Hancock Calgary, Alberta
Clifford P. Hickok Tarrytown, New York
James A. Masterson Casper, Wyoming
Herbert O. Pietsch Brooks, Alberta

OFFICERS

President Clifford P. Hickok
Vice-President/Production Herbert O. Pietsch
Vice-President/Exploration James A. Masterson
Secretary-Treasurer James A. Giffen

AUDITORS

Peat, Marwick, Mitchell & Co.

REGISTRARS & TRANSFER AGENTS

Crown Trust Company Toronto, Montreal, Canada

BLUEWATER OIL & GAS LIMITED

TO THE SHAREHOLDERS:

Bluewater Oil & Gas Limited was initially formed by Canadian Export Gas & Oil Limited to carry out exploration surveys and drilling in Southwestern Ontario. The most significant development during the past year was the purchase by Mr. Spelman Prentice and certain associates, of all of Canadian Export's interest (1,761,150 shares) in Bluewater. The new group assumed active management on May 1, 1969. Essentials of the purchase as it affects Bluewater are outlined in notes to the Financial Statement, included elsewhere in this report.

Mr. Prentice has been associated with Bluewater for the past few years in the exploration and development of oil and gas properties in Southwestern Ontario. A consolidation of the Prentice and Bluewater interests subsequent to April 30th, 1969 (Note 2) increased Bluewater's share in the "pooled" area of the Willey oilfield from 9.1% to 14.56%. The Company's interest in other properties adjacent to and in the vicinity of the field (including one oil well completed in March of this year) has increased from 33.3% to 53.3%.

As part of a more widespread program the Company has acquired 100% interest in 1,165,788 acres of petroleum and natural gas permits in Hudson Bay and an undivided 25% in 1,265,000 acres on shore in the James Bay Lowlands. The first of two exploratory wells has been announced by another operator in Hudson Bay.

The Company has also acquired an undivided 50% interest in approximately 75,000 acres of oil and gas rights in the Rock Springs Uplift portion of the Green River Basin of Wyoming.

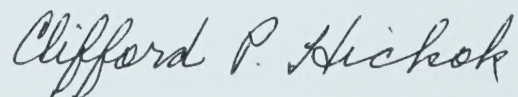
In addition an attempt to broaden the scope of the Company's operations into mining has been made by the acquisition of one third interest in three prospecting permits totaling 494,205 acres in the Baker Lake Area, Keewatin District, N.W.T. Airborne geophysical surveys will be undertaken here this summer.

During the past year two successful wells were drilled on Company interest acreage at Willey, Southwest Ontario. Bluewater et al Dunwich 1-23-1 at the north end of the Willey pool was completed March 20, 1969 as an oil producer. Under consolidation of interests in this area Bluewater's interest is now 53.3% in this well. Further drilling on Company interest acreage north of present production limits, is scheduled for the coming year. At the south end of the Willey pool a well, Imperial Atlas 1-24-4 was completed as a gas well at no cost to the Company. Plans are under consideration by the operator to connect this well to the gas plant serving the Willey oil pool. Bluewater interest in this well is 14.6%.

Oil production at 4,300 barrels, all from the Willey pool, is down 887 barrels from the previous year. Increased interest in the pooled area plus a full year's production in the new well at the north end, should reverse this trend in the coming year. Installation of a secondary recovery program has not yet commenced and may await further drilling.

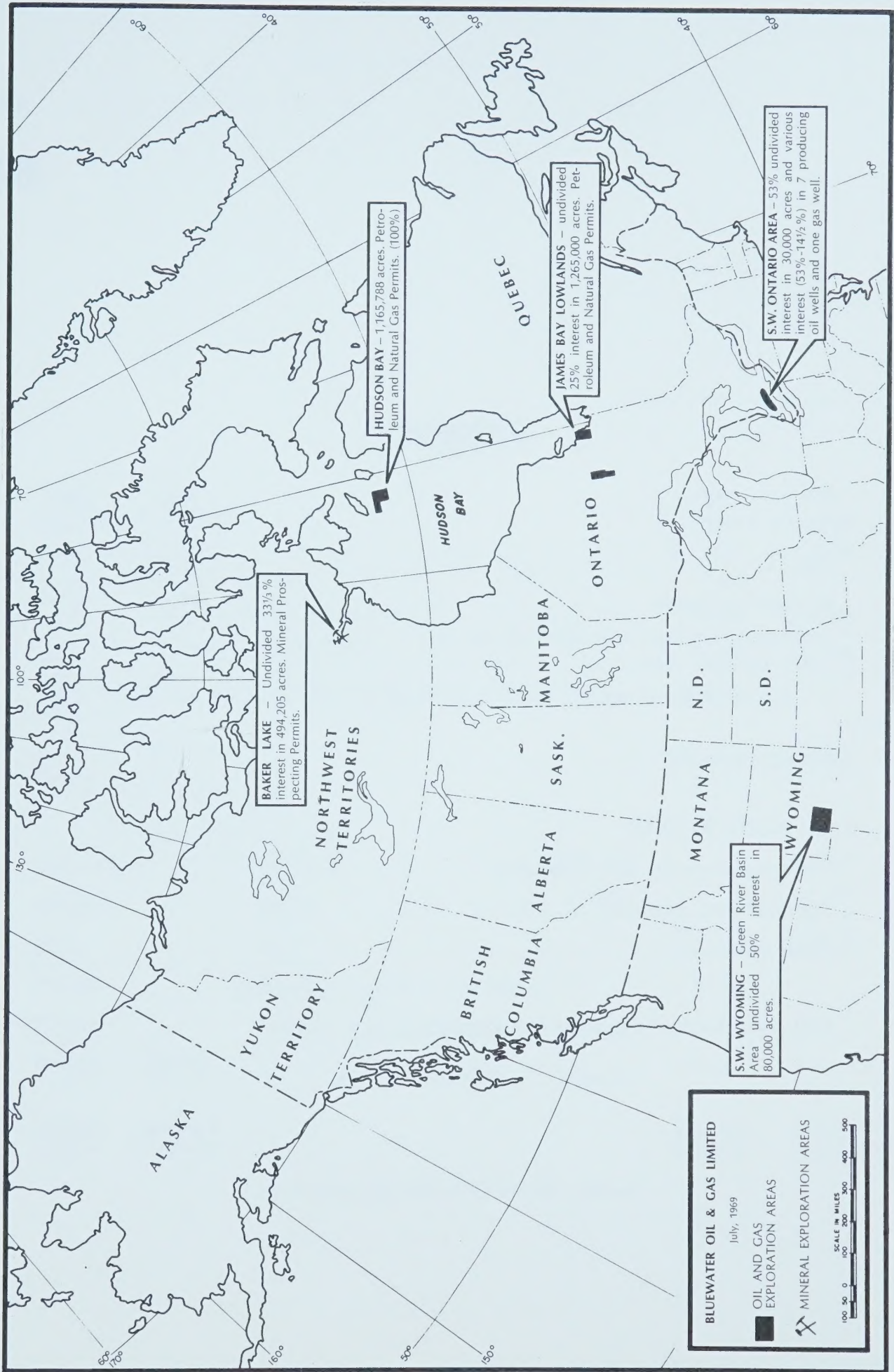
Gas production for the year has declined from 99,000 Mcf to 88,000 Mcf. This decrease is largely due to depletion of the Clinton reservoir, which produces most of the Company's gas.

The new management looks forward to an active year ahead. Geological studies are continuing in Southwestern Ontario with a view to possible exploratory drilling in addition to further development drilling in the Willey area. Exploration surveys as may be required, will be carried out or planned for the newly acquired areas of interest outlined above. The Company will continue within the limits of its resources to obtain exposure in new areas of potential.



CLIFFORD P. HICKOK
President

August 1, 1969



BALANCE

April

(with comparative)

ASSETS

	<u>1969</u>	<u>1968</u>
CURRENT ASSETS:		
Cash	\$ 3,564	5,238
Accounts receivable	28,013	16,557
Inventory of equipment, at lower of cost or net realizable value	—	6,990
TOTAL CURRENT ASSETS	<u>31,577</u>	<u>28,785</u>
DRILLING DEPOSITS	4,925	<u>4,963</u>
FIXED ASSETS, AT COST:		
Producing properties and equipment \$283,898		279,095
Non-producing properties 65,448		72,259
Other assets 3,220		3,220
	<u>352,566</u>	<u>354,574</u>
Less accumulated depreciation and depletion 208,134		212,771
	<u>144,432</u>	<u>141,803</u>
	<u>\$180,934</u>	<u>175,551</u>

SHEET

969

res for 1968)

LIABILITIES

	<u>1969</u>	<u>1968</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 4,341	2,974
Accrued debenture interest	3,510	—
Due to Canadian Export Gas & Oil Ltd.	<u>48,398</u>	<u>332,656</u>
TOTAL CURRENT LIABILITIES	56,249	<u>335,630</u>
CONVERTIBLE FLOATING CHARGE DEBENTURE (Note 1)	300,000	—
SHAREHOLDERS' DEFICIT:		
Capital stock (Note 2)		
Shares of no par value.		
Authorized 4,000,000 shares;		
Issued 2,900,005 shares	\$595,902	595,902
Deficit	<u>771,217</u>	<u>755,981</u>
	<u>(175,315)</u>	<u>(160,079)</u>
Approved on behalf of the Board:		
CLIFFORD P. HICKOK, Director		
W. P. HANCOCK, Director		
	<u>\$180,934</u>	<u>175,551</u>

See accompanying notes to the financial statements.

BLUEWATER OIL & GAS LIMITED

STATEMENT OF EARNINGS AND DEFICIT

Year ended April 30, 1969

(with comparative figures for 1968)

	<u>1969</u>	<u>1968</u>
OPERATING INCOME:		
Natural gas sales, less royalties	\$ 43,844	54,818
Less production expenses	<u>16,893</u>	<u>15,642</u>
	26,951	39,176
Crude oil sales, less royalties \$13,792		15,230
Less production expenses <u>4,243</u>		<u>4,053</u>
	9,549	11,177
Other income	<u>9,146</u>	<u>244</u>
	45,646	50,597
Deduct:		
General and administrative expenses, net of operator's fees earned	<u>11,643</u>	<u>7,390</u>
Net operating profit before depletion, depreciation and other charges	34,003	<u>43,207</u>
OTHER CHARGES – NET:		
Acreage rentals on non-producing properties 8,905		10,256
Interest on advances from Canadian Export Gas & Oil Ltd. 19,288		20,750
Debenture interest 3,510		–
Dry holes and abandoned properties <u>1,612</u>		<u>71,617</u>
	<u>33,315</u>	<u>102,623</u>
Net earnings (loss) before the following provisions	688	<u>(59,416)</u>
PROVISIONS:		
Depletion 8,668		9,061
Depreciation <u>7,256</u>		<u>7,732</u>
	<u>15,924</u>	<u>16,793</u>
Net loss	15,236	76,209
DEFICIT AT BEGINNING OF YEAR	<u>755,981</u>	<u>679,772</u>
DEFICIT AT END OF YEAR	<u><u>\$771,217</u></u>	<u><u>755,981</u></u>

See accompanying notes to the financial statements.

BLUEWATER OIL & GAS LIMITED

STATEMENT OF SOURCE AND DISPOSITION OF FUNDS

Year ended April 30, 1969

(with comparative figures for 1968)

	<u>1969</u>	<u>1968</u>
Source of funds:		
Cash flow from operations (See note below)	\$ 2,300	12,201
Proceeds from sale of properties	—	2,500
Transfer of current liability to Canadian Export Gas & Oil Ltd. to convertible floating charge debenture	300,000	—
Total funds employed	302,300	14,701
Increase (decrease) in working capital deficiency	(282,173)	2,373
	<u>20,127</u>	<u>17,074</u>
Disposition of funds:		
Exploration drilling	1,902	—
Development		
Drilling and well equipment	18,225	11,143
Gas gathering system and other	—	5,931
Total funds used	<u>\$ 20,127</u>	<u>17,074</u>
Note:		
Net loss per statement of earnings and deficit	\$(15,236)	(76,209)
Add non-cash item:		
Provisions for depreciation and depletion	15,924	16,793
Dry holes and abandoned properties	1,612	71,617
Cash flow from operations as shown above	<u>\$ 2,300</u>	<u>12,201</u>

See accompanying notes to the financial statements.

BLUEWATER OIL & GAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

April 30, 1969

1. On March 1, 1969 the company issued to Canadian Export Gas & Oil Ltd. a Convertible Floating Charge Debenture in the amount of \$300,000 as partial payment of advances due to that company. Payment of the principal and interest is secured by a first floating charge on all assets, property and undertakings of the company both present and future.

Interest is payable at the rate of 7% per annum from March 1, 1969 to April 30, 1969 and a rate to be determined in relation to profits and cash flow of the company, not to exceed 5% per annum on principal amount unpaid for each fiscal year until the debenture is retired.

Canadian Export Gas & Oil Ltd. has the right to convert the entire debenture into fully paid and non-assessable common shares at 60 cents per share at any time prior to March 1, 1974.

The principal amount is repayable as to \$60,000 on March 1 in each of the years 1975 to 1979 inclusive.

2. Subsequent to April 30, 1969, the company under an agreement, issued 599,000 shares as consideration for the purchase of certain properties at an agreed value of \$161,173.

Auditors' Report to the Shareholders

We have examined the balance sheet of Bluewater Oil & Gas Limited as of April 30, 1969 and the statements of earnings and deficit and source and disposition of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company at April 30, 1969 and the results of its operations and the source and disposition of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
June 4, 1969

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

